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Suzanne Henderson

CHESAPEAKE ENERGY CORP. ATTN: RECORDING TEAM P.O. Box 18496 Oklahoma City, OK 73154

Submitter: Chesapeake Operating, Inc.

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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

STATE OF TEXAS §

§ KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF TARRANT §

OIL AND GAS LEASE (No Surface Use)

THIS OIL AND GAS LEASE (No Surface Use) is made and effective this <u>3rd</u> day of <u>July</u>, <u>2008</u> (the "Effective Date"), by and between <u>JA-COLE</u>, <u>L.P., Rob Orr, Trustee</u> (hereinafter "Lessor"), and CHESAPEAKE EXPLORATION, L.L.C., an Oklahoma Limited Liability Corporation (hereinafter "Lessee")

1. <u>GRANTING CLAUSE</u>. Lessor, in consideration of lease bonus in hand paid, and other good and valuable consideration in hand paid by Lessee, the receipt of which is hereby acknowledged, and in consideration of the royalties herein provided, and the covenants, agreements and obligations of Lessee herein contained, and upon and subject to the conditions and with the limitations hereinafter set forth, hereby leases and lets exclusively unto the said Lessee, for the purpose of investigating, exploring, prospecting, drilling and producing only oil and gas and substances, if any, produced in association with oil or gas, and to produce, save, take care of, treat, store, and transport oil and gas and such related substances, all those certain lands situated in Johnson County, Texas, described as follows, to wit:

SEE EXHIBIT "A" ATTACHED HERETO AND INCORPORATED HEREIN FOR ALL PURPOSES FOR A FULL LEGAL DESCRIPTION OF THE SUBJECT PROPERTY

(hereinafter the "Leased Premises"). This lease does not grant to Lessee any right to explore for or produce any mineral or other substance except for oil and gas and substances, if any, produced in association with oil or gas.

- 2. PRIMARY TERM. This lease shall remain in force and effect for a term of one (2) year from the Effective Date set out above (hereinafter called "Primary Term") and, subject to the other provisions of this lease, as long thereafter as there is production in paying quantities from the Leased Premises or lands pooled therewith. If at the end of the Primary Term, or the cessation of production in paying quantities at any time thereafter, Lessee is engaged in actual drilling, reworking or any other operations reasonably calculated to obtain or restore production from the Leased Premises or lands pooled therewith, this lease shall remain in force so long as any one or more of such operations are prosecuted with no interruption of more than one hundred eighty (180) consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the Leased Premises or lands pooled therewith.
 - 3. <u>ROYALTY</u>. As royalty, Lessee covenants and agrees to pay to Lessor:
- (a) 25% of all oil and other liquid hydrocarbons produced and saved from the Leased Premises, to be delivered at Lessor's option at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities on the Leased Premises, or, at Lessor's option, 25% of the value thereof. All oil and liquid hydrocarbons (including those referred to in paragraph (c) below) shall be measured in tanks of Lessee or by accurate liquid meters approved by Lessor.
- (b) 25% of the value at the point of final delivery to the first purchaser, and not at the well, of all gas (including casinghead gas) and all other substances (excluding oil) covered hereby. For purposes hereof, "value" is defined as the price actually received by Lessee for the sale of gas and all other substances (excluding oil) produced and saved hereunder, provided the same is sold under an arms-length and competitively negotiated contract for the sale of such product. Upon request, Lessee shall make available for Lessor's review a copy of any gas contract entered into between Lessee and such unaffiliated entity for gas sold from the Leased Premises. Lessor shall also be entitled to its 25% royalty share of any take-or-pay or similar payments received in connection with any gas contract modification or termination.
- (c) Notwithstanding anything else herein to the contrary, all royalties accruing under this lease shall be without any deduction for: (i) all costs of production, gathering, storing or separating, whether such services are provided by Lessee, an affiliate of Lessee, or a third-party; and (ii) all costs of treating, dehydrating, compressing, processing, transporting and otherwise charged by Lessee, or an affiliate of either, for the purpose of making the oil and gas produced hereunder ready for sale or use or to move such production to market. All of the foregoing costs and expenses shall be added back to determine the "market value" of oil or gas, or the proceeds received by the Lessee, for the purpose of paying royalty hereunder. The parties agree that this subpart (iv) is a material part of this lease and is not mere surplusage.

 (d) If there is on lands pooled with the Leased Premises a well capable of producing gas in paying quantities but gas is not
- (d) If there is on lands pooled with the Leased Premises a well capable of producing gas in paying quantities but gas is not being marketed therefrom for a period of one hundred and eighty (180) consecutive days and this lease is not then being maintained by other production or operations, then this lease shall terminate unless on or before sixty (60) days following the end of such one hundred and eighty (180) day period, Lessee tenders or pays as royalty hereunder the sum of fifty Dollars (\$50.00) per acre to Lessor, which payment shall maintain this lease in full force and effect, as to that portion of the Leased Premises contributed to such pooled unit, for a period of one (1) year from the date such well is shut-in, and it will be considered that gas is being produced hereunder in paying quantities. Lessee may exercise its right to make shut-in royalty payments as provided for herein from time to time; however, this lease may be maintained by such shut-in payments only if Lessee is exercising reasonable diligence in attempting to market and sell gas producible hereunder. Notwithstanding anything herein to the contrary, this lease shall not be maintained by shut-in royalty payments for a period longer than two (2) years of cumulative time.

 (e) Lessor shall have a continuing right and option, but not the obligation, to be exercised by Lessor as set forth herein, to
- (e) Lessor shall have a continuing right and option, but not the obligation, to be exercised by Lessor as set forth herein, to take its royalty interest share of production in kind, at Lessor's sole risk and expense, provided, Lessor must give Lessee thirty (30) days advance written notice of Lessor's intent to take its royalty interest share of production in kind, and Lessor's election shall be for monthly periods of at least three (3) consecutive months. The following provisions shall also apply with respect to Lessor's taking its royalty interest share of production in kind:
 - (i) Lessor shall have access to the delivery points for third party purchasers of Lessor's gas;
- (ii) Any imbalances as between Lessor and Lessee will be handled in accordance with the provisions of a mutually agreeable gas balancing agreement.
- (f) Lessor shall have the right to audit the accounts and records of Lessee, its successors and assigns, relating to the Leased Premises and to its operations under this lease on an annual basis. Such right shall be exercised by Lessor by giving Lessee reasonable notice and such audit shall be conducted only during normal business hours. If the audit reveals an underpayment, Lessee shall be responsible, and promptly reimburse Lessor in respect of all expenditures by Lessor, for the costs of the audit.
- (g) Initial royalty payments shall be due within one hundred twenty days from the date of first production. All subsequent royalty payments shall be due within thirty (30) days after the end of the month for oil and sixty (60) days after the end of the month for gas in which the production occurred. Should Lessee fail to pay such royalty within such time, then Lessee shall pay to Lessor interest on said accrued royalties at the rate of the lesser of the maximum rate permitted by law or the average prime interest rate charged by the two largest banks in Tarrant County, Texas, plus two percent (2%), from the due date until the date of payment as to all undisputed royalty. If Lessee fails to comply with the provisions of this paragraph, then Lessor shall, at its option, have the right to cancel this lease by filing an affidavit of record in Tarrant County, Texas; however, Lessor shall give written notice of such intention to Lessee and Lessee shall then have thirty (30) days in which to comply with the provisions of this paragraph on three or more prior occasions during any twelve-month period. Should Lessee pay Lessor all royalty payments past due during said period with accrued interest, this lease shall not be cancelled. The rights of Lessor under this paragraph shall be in addition to, and not in lieu of, all

rights Lessor may have as to payment of royalty under V.T.C.A. Natural Resources Code §§ 91.401 through 91.405.

- (i) If gas is produced from the Leased Premises, and if more than one party owns the working interest share of the gas produced, and if any or all of such co-owners elect to take and market their share of such gas separately, resulting in "split-stream" deliveries of such gas to different purchasers, then the following shall apply:
- gas to different purchasers, then the following shall apply:

 A. Lessor shall be entitled to Lessor's royalty share (proportionately reduced, as herein provided, if Lessor owns less than all the oil and gas under the Leased Premises) of the proceeds of the sale of the entire production of gas produced from the Leased Premises, regardless of how such gas is allocated among the working interest owners or to whom such gas is sold, and regardless of any agreements to the contrary among the working interest owners.
- B. Lessee, its successors and assigns shall be liable for Lessor's entire royalty on such gas production, regardless of whether Lessee actually is allocated or receives any proceeds of sale of any such production. Lessee shall account to Lessor for all of Lessor's royalty share of such gas production, so that Lessor shall not be required to receive royalties from more than one purchaser or working interest owner, and Lessee shall provide production statements from all purchasers of such gas showing the volumes sold and the price paid therefor, and any applicable adjustments.
- 4. <u>PAYING QUANTITIES.</u> For purposes hereof, "paying quantities" is defined as revenue from the sale of production from a well sufficient to return a profit, after deduction of royalties, overriding royalties and production taxes, over and above all direct operating costs, but not including capital costs or district office overhead not directly attributable to the Leased Premises, for any consecutive twelve (12) month period, without regard to whether a reasonably prudent lessee would continue to operate such well or wells.
- 5. <u>VERTICAL SEVERANCE</u>. Notwithstanding anything in this lease to the contrary, upon the completion of any well drilled on lands pooled with the Leased Premises (unless such well is completed within the Primary Term, and then, upon the end of the Primary Term), this lease shall automatically terminate as to all depths one hundred feet (100') below the base of of the deepest producing formation from such well.
- 6. POOLING. Lessee is hereby granted the right, at its option, to pool all (and not less than all) of the Leased Premises with any other adjoining land, lease, or leases, as to any or all minerals or horizons, so as to establish a unit containing not more than forty (40) surface acres for a vertical well, and for a horizontal well, not more than three hundred seventy-five (375) surface acres plus a tolerance of ten percent (10%) thereof. If larger units than any of those herein permitted are required under any governmental rule or order for the drilling or operation of a well at a regular location or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option by executing an instrument identifying such unit and filing it for record in the public office in which this lease is recorded and providing a copy thereof to Lessor. There shall be allocated to the land covered by this lease within each such unit that proportion of the total production of unitized minerals from the unit, which the number of mineral acres covered by this lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this lease. The formation of any unit hereunder which includes land not covered by this lease shall not have the effect of exchanging or transferring any interest under this lease (including without limitation, any delay rental and shut-in royalty which may become payable under this lease is in force, Lessee may not dissolve any pooled unit established hereunder without Lessor's prior written consent, which shall not be unreasonably withheld. Except as provided above, Lessee shall h
- 7. ASSIGNMENT. Lessee may not assign or otherwise transfer operations under this lease without the prior written consent of Lessor, other than to officers or affiliates of Lessee, which consent may not be unreasonably denied. Lessor may withhold such consent if Lessor reasonably believes that any assignee or transferee of this Lessee who will assume duties as operator does not have the capability of operating the lease in a manner comparable to the manner in which the Lessee operated the lease. The interest of Lessor hereunder may be assigned, mortgaged or transferred in whole or in part, but no change or division in ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder. No change in ownership permitted hereunder shall be binding on either party hereto until thirty (30) days after the other party has been furnished the original or certified or duly authenticated copies of the documents evidencing such change of ownership. The rights and obligations of the parties hereunder shall extend to their respective heirs, successors and assigns.
- 8. NO SURFACE USE. Notwithstanding anything herein to the contrary, Lessee shall have no right to enter upon, conduct any drilling or other surface operations of any nature, or place any facilities or structures of any kind on, over or across, any portion of the Leased Premises (including, but not limited to, exploration activities of any nature, seismic activities, the laying of pipelines, the building of roads, tanks, power stations, telephone lines, flow lines, electric power lines, tank batteries, or treaters). Lessee shall have the limited right to enter the Leased Premises with a subsurface horizontal or directional wellbore at any depth of greater than one thousand feet (1000') from the surface of the Leased Premises in an effort to explore for and develop oil and gas under the leased premises, provided that such operations do not interfere with in any way the surface, or subsurface support of any improvements constructed on, the Leased Premises or the business activities conducted on the Leased Premises.
- 9. INDEMNITY. Lessee, its successors and assigns agree to release, defend, indemnify, and hold harmless Lessor and any owner of the surface, and their affiliates, and their respective officers, directors, owners, partners, tenants, guests, invitees, and any of their successors, agents and employees (collectively, the "Indemnified Parties"), from any and all costs, losses, claims, judgments, settlements, and damages of every kind and character to real property, personal property or persons (including, without limitation, claims involving environmental laws and regulations, pollution, contamination of ground waters, personal injury and death), lawsuits and/or causes of action (including reasonable attorneys' fees, expert fees and court costs) (collectively "Claims"), , which may grow out of, arise from, or in any manner be connected with the activities of Lessee and Lessee's agents, invitees, guests, contractors, oil or gas purchasers, oil or gas transporters, servants and employees, whether acting within the scope of their employment or not, and whether negligent or not, on the Leased Premises, or any adjacent property, including, without limitation, any Claims arising from loss of subsurface support of the Leased Premises and any Claims arising from the production or transportation of oil or gas produced from the Leased Premises or lands pooled therewith. For purposes of this Paragraph 9 and Paragraph 10 of this lease, environmental laws and regulations include, without limitation, the federal Oil Pollution Act (OPA), the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the federal Resource Conservation and Recovery Act (RCRA), the federal Clean Water Act, the Texas Solid Waste Disposal Act (TSWDA), the Texas Water Code (TWC), and the federal, state and local rules, regulations, ordinances, orders and governmental directives implementing such statutes. The Lessee's obligations in this Paragraph 9 shall survive the termination of this lease.
- 10. ENVIRONMENTAL LIABILITY. As used in this lease, the term "Hazardous Materials" means any substance or material defined or identified as hazardous, extra-hazardous, toxic or radioactive or subject to regulation as a solid waste or pollutant under any applicable federal, state, or local statute or regulation including, without limitation, the environmental laws and regulations referenced in paragraph 9 of this lease. "Remedial Work" is defined as any site investigation or monitoring, any cleanup, containment, remediation, removal, or restoration work performed in response to any federal, state or local government authority or private party action ("action"), or pursuant to any federal, state or local statute, rule, regulation, ordinance, order, governmental directive or other laws ("law"). Lessee agrees, for the benefit of the Lessor and the Surface Owner, (1) to remove from the Leased Premises, if, as and when required by any action or law, any Hazardous Materials placed or released thereon by Lessee (including its drillers and other contractors), (2) to perform Remedial Work where the need therefore arises in connection with Lessee's (including its drillers and other contractors) and Remedial Work on or associated with the Leased Premises and any adjacent property. Remedial Work shall be performed by one or more contractors selected by Lessee will cause the selected by Lessee. All costs and expenses of Remedial Work. If Lessee shall fail to timely commence or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work. (Lessee shall fail to timely commence or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work to be performed and Lessee's will reminuse all reasonable costs of same on demand. The provisions of this paragraph shall not constitute approval or obligate Lessor or the Surface Owner to consent to the imposition of any engineering or institutional control that would restrict or limit future use of the Leased Premises for any purpose

lease.

- INSURANCE. Lessee, at its own expense, shall maintain a general liability insurance policy (covering both bodily injury and property damage and covering its indemnity obligations under paragraphs 9 and 10 of this lease) in an amount of at least \$3,000,000 combined single limit. Lessee shall also, at its own expense, carry worker's compensation insurance as required by law. Said policies shall (i) name Lessor as an additional insured (except for the worker's compensation policy, which instead shall include a waiver of subrogation endorsement in favor of Lessor), and (ii) provide that said insurance shall not be canceled unless thirty (30) days prior written notice shall have been given to Lessor. In addition, such insurance provided by Lessee shall be primary coverage for Lessor when any policy issued to Lessor is similar or duplicate in coverage, and Lessor's
- policies shall be excess over Lessee's policies. Insurance requirements may be met by a combination of self-insurance, primary and excess policies.

 12. FORCE MAJEURE. Should Lessee be prevented from complying with any express or implied covenant of this lease, other than the payment of money, or from conducting drilling or reworking operations thereon or from producing oil or gas or other hydrocarbons therefrom, by reason of inability to obtain equipment, or material, or because of any federal or state law or any order, rule or regulation of a governmental authority, or any similar event beyond the reasonable control of Lessee, then while so prevented, Lessee's obligations to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith, and if Lessee shall provide notice to Lessor promptly following the occurrence of any such force majeure event, this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on, or from producing oil or gas or other hydrocarbons from the Leased Premises; and the time while Lessee is so prevented shall not be counted against the Lessee, anything in this lease to the contrary notwithstanding. Lessee shall take all reasonable actions to remove or end any cause of force majeure as soon as reasonably possible. In no event shall this lease be perpetuated by an event of force majeure for a period of more than one (1) consecutive year or two (2) years of cumulative time.
 - 13. NOTICES.
 - To Lessee. All notices to Lessee from Lessor shall be sent to the following address: (a)

Chesapeake Exploration, L.L.C. P.O. Box 18496 Oklahoma City, Oklahoma 73154 ATT:HENRY HOOD

Lessor shall be notified in writing of any change of address, or of the party to receive notice on behalf of Lessee. Additionally, Lessee agrees to designate in writing the name of the person or persons to be present from time to time on said lands as current operations are being conducted, with whom Lessor may communicate about the activities being conducted and with whom Lessee may resolve any claim for damages.

To Lessor. Lessor shall be notified at the address shown below. Lessor shall notify Lessee of any change of the address set forth below.

> JA-COLE, L.P. P.O. Box 1088 Burleson.Texas 76028

- 14. <u>NO WARRANTY</u>. This lease is made without warranty of title of any nature, express or implied and without recourse against Lessor. Lessor agrees, however, that Lessee, at Lessee's option, may discharge any tax, mortgage or other lien or liens upon any interest or interests leased hereby, and in the event Lessee does so, Lessee shall be subrogated to such lien with the right to apply royalties, shut-in gas well royalties and other payments accruing hereunder to the interest or interests against which any such lien applies, toward satisfying same. It is further agreed that if this lease covers more or less than one-half (1/2) interest in the oil and gas in all or any part of the Leased Premises, then the bonuses, royalties, delay rental, and other monies accruing from any part as to which this lease covers shall be paid in the proportion which the interest therein covered by this lease bears to the whole and undivided fee simple estate therein.
- WAIVER. No waiver of any of the provisions of this lease shall be deemed or constitute a waiver of any other provision of this lease, 15. nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Likewise, the failure of Lessor to enforce any provision of this
- lease shall not be deemed nor shall constitute a waiver of the right of Lessor to enforce such provision.

 16. LAW AND VENUE. The rights and dutles of the parties under this lease shall be governed by the laws of the State of Texas. Venue for any action to enforce Lessee's obligations hereunder shall lie in Johnson County, Texas.
- HEADINGS. The paragraph headings in this lease are for convenience only, and shall not be considered in interpretation or construction of any provision of this lease.
- SUCCESSORS AND ASSIGNS. All terms, provisions and obligations of this lease shall be binding upon and shall inure to the 18.
- benefit of the parties hereto, their heirs, legal representatives, administrators, permitted successors and assigns.

 19. ATTORNEYS' FEES. If either party files a legal action to enforce any express or implied obligation of this lease and receives a final unappealable judgment from a court of competent jurisdiction, then the losing party shall reimburse the prevailing party for all costs of such legal proceedings, including reasonable attorneys' fees, expert witness fees and costs.
- COMPLIANCE WITH LAW. Lessee covenants that it will strictly comply with all applicable laws, regulations and ordinances in conducting all operations under this lease.
- 21. <u>ENCUMBRANCES</u>. This lease is subject to all licenses, permits, easements, rights of way, surface leases, restrictive covenants, and other contracts of Lessor, or its predecessors in interest, affecting the Leased Premises.
 - COUNTERPARTS. This lease may be executed in multiple counterparts, all of which shall be deemed to constitute one instrument.
 - 23. NO COST WITH ENHANCEMENT. Notwithstanding anything else herein to the contrary, all royalties accruing under this lease shall be without any deduction for: (i) all costs of production, gathering, storing or separating, whether such services are provided by Lessee, an affiliate of Lessee, or a third-party; and (ii) all costs of treating, dehydrating, compressing, processing, transporting and otherwise charged by Lessee, or an affiliate of either, for the purpose of making the oil and gas produced hereunder ready for sale or use or to move such production to market. However, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements All of the foregoing costs and expenses shall be added back to determine the "market value" of oil or gas, or the proceeds received by the Lessee, for the purpose of paying royalty hereunder. The parties agree that this subpart (iv) is a material part of this lease and is not mere surplusage.

WITNESS AND/OR ATTESTATIONS: LESSOR (WHETHER ONE OR MORE) JA-COLE. L.P., Rob Orr Trustee

IN WITNESS WHEREOF, this instrument is executed to be effective as of the date stated herein.

ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF JOHNSON
This instrument was acknowledged before me on the _

CRAIG PAYNTER
Notary Public, State of Texas
My Commission Expires
January 19, 2011

20 Mg, by MA-COLE, L.P., Rob Orr Trustee

Notary Public, State of Texas Notary's name (printed): Notary's commission expires:

RECORDING INFORMATION

STATE OF TEXAS			
County of			
This instrument was filed for record on the and duly recorded in	day of	, 20, at	oʻclockM
Book, Page, of the	records of this office.		
Ву			
	Clerk (or Deputy)		

EXHIBIT "A"

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE DATED JULY 3, 2008 FROM JA-COLE, L.P., AS LESSOR TO CHESAPEAKE, L.L.C. AS LESSEE.

Being 2.033 acres of land, more or less, Lot 3, Block 1, Boone Business Burleson, an addition to the City of Burleson, and out of the Sarah Gray Survey, A-558, Tarrant County, Texas,, and being the same land more fully described in that certain Warranty Deed with Vendor's Lien dated August 8, 2006, from Robin D. Orr and spouse Pamela G. Orr (undivided 50% interest); and Lee Ray Davis and spouse Lisa Ann Davis, (undivided 50% interest), as Grantor, to JA-COLE, L.P., as Grantee, recorded in Instrument #D206266003, of the Official Record, Tarrant County, Texas.

Record & Return to: Chesapeake Operating, Inc. P.O. Box 18496 Oklahoma City, OK 73154